

Annual and Final Report to Growers for  
Forest Enterprises Plantation Project 2003  
(2003 Project)  
ARSN 104 311 533

FEA Plantations Limited As  
Responsible Entity  
(Subject to Deed of Company Arrangement)

22 September 2020

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Joint and Several Deed Administrators

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**BRI Ferrier**

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## 1 EXECUTIVE SUMMARY

The purpose of this Annual and Final Report is to provide Growers in Project 2003 ('the Project') with a summary of the Project's limited operation since the appointment of Brian Silvia and Peter Krejci on 14 April 2010 as the Joint and Several Administrators of FEA Plantations Limited (Subject to Deed of Company Arrangement) ('FEAP'), the Responsible Entity of the Project.

As a consequence of that appointment, the Project was exposed to negative cash flow with no ability to raise the necessary funding to attend to the maintenance of the planted trees on externally leased land and the lease payments due to those third party landlords. Understandably, Growers were unwilling to make voluntary payments to continue to support the Project.

Pursuant to Section 601NC of the Corporations Act 2001, the Responsible Entity may wind up the Project if it considers the Project's purpose as contemplated in the PDS dated 30 June 2003 has been accomplished or cannot be achieved.

As Growers are aware, Court approval was granted on 28 November 2013 to wind up this Project along with other Projects for years 2002 to 2009.

Therefore the Project has been wound up as its intended purpose could not be achieved for the reasons further expanded upon in this Report.

Growers were notified of the position of their individual account contributions by letters dated 14 August 2015.

In terms of the FEA and FEAP Further Varied Deeds of Company Arrangements ("Further Varied DOCAs"), Growers in the 2002 to 2009 Schemes were entitled to participate for a return of their Voluntary Contributions from the Pool B Fund created as part of the FEA Deed of Company Arrangement ("FEA DOCA").

Growers may recall the composition of the Pool B Fund was to come from the following:

- All freehold trees in the 1995 to 2001 Schemes that were owned by FEA and not allocated to Growers;
- A share of the contribution from the Timberlands Trust Fund;
- Any proceeds recovered by the Deed Administrators from the sale of the FEA Corporate shell;
- Amounts reimbursed by the 1995 to 2001 Schemes (after receipt of a share of sale proceeds from the FEA internal estate) in respect of costs incurred for the common benefit of all Schemes between 14 April 2010 and the operative date of the wind up of the 2002 to 2009 Schemes, being 28 November 2013 and;
- Amounts recovered from remaining assets of FEAP, including some outstanding Grower Contributions.

Importantly, the payment of a distribution from the Pool B Fund was always dependent on the receipt of part of the sale proceeds of the FEA internal land and trees that were managed and controlled by the Receivers, appointed by the secured creditors, the Banks.

Given the disappointingly low sale price achieved for the FEA internal estate (which also included the land and trees in the Timberland Trust), as addressed extensively in our Report to Growers and Creditors dated 20 March 2015, meant that there was insufficient funds available for allocation to Pool B to allow for the repayment of Voluntary Contributions in full.

Unfortunately, no value was realised from the FEA Corporate “shell” as there was no longer an ability to transfer the control of FEA to another party in consideration of a material payment in order to access or attempt to access tax losses or imputation credits within the corporate entity.

On 19 May 2017, a distribution was sent to those Growers whose voluntary contributions received by the Deed Administrators since 14 April 2010 were deemed eligible to participate in a return.

All available assets that were to comprise the Pool B Fund have been realised thereby allowing the distribution to those Growers who made voluntary contributions to the Project.

### **1.1 Post appointment Receipts and Payments**

Attached as **Annexure A** is a summary of Receipts and Payments for the Project for the period 14 April 2010 to 30 June 2020.

All the Voluntary Administrators and Deed Administrators remuneration referred to in this Report has been considered and approved by either the Committee of Creditors or the Committee of Inspection during the course of the Administration.

## **2 Background and Observations on the Administration**

The Project 2003 comprised seventy- seven individual plantation properties of approximately 2,054 hectares.

Of these properties, 1,278 hectares were owned by FEA and Tasmanian Plantations (‘the Internal Land’) with the balance of the land under management leased from external landlords (‘the External Land’).

The plantations were located in Tasmania and northern New South Wales sub-divided into 4,108 woodlots. There were 485 Growers holding woodlots in the Project.

The Managed Investment Scheme structure provided a conduit for Growers to engage with FEAP to establish plantations and maintain woodlots on behalf of the Growers. The woodlots were planted with hardwood seedlings of mainly eucalyptus species.

Following our appointment as Administrators of FEAP on 14 April 2010, the Banks as secured creditors over the assets of Forest Enterprises Australia Limited (‘FEA’) on 3 June 2010 appointed representatives from the firm Deloitte as Receivers to FEAP. Our role as FEAP’s Administrators has been to look after the interest of the creditors of FEAP, where the majority of creditors are Growers.

Since our appointment in April 2010, we have developed and executed various strategies in an attempt to maximise the return to Growers in the Project. The Administrators assessed a number of approaches from consortiums backed by international funds to acquire the Bank's interest in FEA and restructure the Project. Unfortunately, however, no viable proposal was capable of execution. In addition there were no parties willing to assume the role as a replacement responsible entity of the Project.

As structured at the time of our appointment, the Project did not have the funds to meet its future commitments. While Growers did make an initial payment to acquire their investment in the Project there was no obligations for Growers to make contributions to meet future costs being predominately plantations maintenance expenses and rental payments to third party Landlords. FEAP was expected to meet these costs of the Project through until harvest was completed in approximately 13-15 years. FEAP was then to recoup the costs incurred over this period from the harvest proceeds of sale.

During our appointment both as Administrators and Deed Administrators, we have responded to a number of litigation proceedings commenced by the Receivers in the Federal Court with the intention of protecting Growers' interests in the Project. The Administrators' defence of the Receivers' initiated proceedings to terminate lease agreements between FEA and FEAP were to prove costly from the Project's perspective. From the outset, the Administrators considered the proceedings unnecessary and based upon a misunderstanding both of the facts and the law relating to the assets and liabilities of the Project. At the heart of the dispute was the terms upon which FEAP was entitled to use and occupy the Plantation land upon which the 2003 Growers trees were planted. The Receivers commenced proceedings in the Supreme Court against FEAP on 30 September 2011 declaring that the lease of the land owned by FEA (internal Land) in use by the 2003 Project and any sub-leases or interests in the land granted to Growers was at an end. FEAP's defence of these claims consumed considerable time and funds.

At the same time as pursuing the legal actions negotiations continued with parties who were seeking to restructure FEA and the Schemes. The uncertainty surrounding the security of title as a result of the Receivers' actions was to prove one of a number of barriers to achieving a restructure of this Project.

The litigation came to represent an attempt by the Receivers to terminate the leases through forfeiture on the one hand and the challenge for relief against forfeiture, by the Deed Administrators on behalf of the Scheme Growers on the other.

The Deed Administrators failed to have special leave granted to appeal to the High Court, on the adverse ruling by the Supreme Court on the forfeiture of lease proceedings.

On 26 November 2012, a mediation of the disputes between FEAP and the Receivers representing the secured creditors, the Banks, commenced. The mediation extended over many months.

As a result of these negotiations, the Receivers and the Deed Administrators agreed to compromise the disputes. At a meeting of Creditors on 28 June 2013, it was resolved to vary the Deed of Company Arrangement in that the 2003 Project would be wound up and that Growers in the 2003 Project would become beneficiaries of a Fund (Pool B) under the compromised and restructure deed (Implementation Deed – signed 5 September 2013)

We have commented earlier in this Report on the composition of what made up the Pool B Fund and the disappointingly low sale price achieved for the FEA internal estate.

Unfortunately, no value will be realised from the FEA Corporate "shell" as there is no longer an ability to transfer the control of FEA to another party in consideration of a material payment in order to access or attempt to access tax losses or imputation credits within the corporate entity.

### 3 Deed Administrators' Determination of your Grower Contributions for Distribution Purposes- Pool B

During August 2015, the Deed Administrators communicated with all Growers in the 2003 Project, including providing a detailed schedule of the contributions received since 14 April 2010 for each Grower's account.

As you will recall from the FEA and FEAP 445F Report to Creditors dated 21 October 2013, the Deed Administrators assessed the 2002 to 2009 Schemes ("the Schemes") were not viable to continue. The Federal Court determined to wind up the Schemes on 28 November 2013. Pursuant to the FEA and FEAP Further Varied Deeds of Company Arrangements ("Further Varied DOCAs"), Growers in the 2002 to 2009 Schemes were entitled to participate for a return on their Voluntary Contributions from the Pool B Fund created, as part of the FEA Deed of Company Arrangement ("FEA DOCA").

As mentioned earlier in this Report, a distribution has been sent to those Growers whose voluntary contributions received by the Deed Administrators since 14 April 2010 were deemed eligible to participate in a return.

We are aware that a number of payments to qualifying Growers were unrepresented through the bank account after an extended time post the payment date of 19 May 2017.

These funds were transferred to Australian Securities and Investment Commission (ASIC) as unclaimed monies. Growers may wish to check directly by following the link:

<https://www.moneysmart.gov.au/tools-and-resources/find-unclaimed-money>

### 4 Winding up the Project

In accordance with the Order of the Federal Court dated 28 November 2013, FEAP intends to proceed to wind up the Project. As at 30 June 2020 the Project reveals a nil cash balance. Accordingly there will be no further distribution to Growers out of the Project.

As notice of completion of the wind up will now be lodged with Australian Securities and Investment Commission (ASIC). Upon the giving of that notice, ASIC will de-register the Scheme.

Yours faithfully

FEA Plantations Limited (Subject to Deed of Company Arrangement)



BRIAN SILVIA

Joint and Several Deed Administrator

**FEA Plantations Limited (Subject to Deed of Company Arrangement)  
2003 Managed Investment Scheme  
Summary Receipts and Payments (inclusive of GST)  
for the period 14 April 2010 to 30 June 2020**

R&P  
for the period  
14/4/2010 to  
30/06/2020

**Receipts to 30 June 2020**

**VA - 14 April 2010 to 14 December 2010**

Bank interest	0.01
Grower Receipts	-
Recovery of Legal Fees from Schemes	-
Recovery of Management Fees from Schemes	-
Recovery of Pre Appointment Debtors from Schemes	-
Recovery of Solicitor Trust Funds	-
Unallocated Grower Receipts	3,090.24
<b>Total Receipts During Administration Period</b>	<b>\$ 3,090.25</b>

**DOCA - 14 December 2010 to 30 June 2020**

Bank interest	6,130.42
Entitlement to Pool B Fund	5,546.75
Grower Receipts	385,690.06
GST Refund	3,769.36
Income Apportionment From Other Schemes	-
Pre-appointment Debtors	5,339.61
Recovery of Remuneration from Schemes	-
Recovery of Internal Rent from Schemes	-
Recovery of Insurance	-
Recovery of Meeting Room Expenses	-
Recovery of Relief Against Forfeiture Expenses	70,374.65
Removal of Forestry Right Service Fee	-
Subcontractor Refund	-
Timberlands Unit Holdings Proceeds	3,408.60
General Fund contribution for scheme expenses	1,204.71
Unallocated Grower Receipts	-
<b>Total Receipts During Deed Administration Period</b>	<b>\$ 481,464.16</b>

**Total Receipts As At 30 June 2020** **\$ 484,554.41**

**Payments to 30 June 2020**

**VA - 14 April 2010 to 14 December 2010**

Administrators' Remuneration	-
Bank charges	12.81
Custodian Fees	-
Disbursements	-
External Rent	-
Forestry Insurance and Maintenance	-
Income Apportionment to Other Schemes	-
Legal fees	-
Meeting Room Costs	-
Other Government Charges	-
Printing and Postage	-
Professional costs	-
Statutory Advertisement	-
Subcontractor	-
<b>Total Payments During Administration Period</b>	<b>\$ 12.81</b>

**DOCA - 14 December 2010 to 30 June 2020**

Administrators Remuneration	44,689.05
Bank charges	2,750.65
Contribution to Pool B Fund	752.13
Custodian Fees	14,126.33
Deed Administrators Remuneration	184,958.84
Deed Administrators Disbursements	39,175.61
External Rent	-
Forestry Insurance and Maintenance	42,264.26
GST Paid	6,389.86
Internal Rent	-
Legal fees	66,330.43
Meeting Room Costs	820.54
Other Government Charges	229.45
Printing and Postage	5,121.15
Professional Costs	2,940.47
Restructure Consultancy and Facility Establishment Fees	-
Statutory Advertisement	75.95
Subcontractor	31.46
Unallocated Grower Receipts	-
Contingency allowance for finalisation of Scheme	-
<b>Total Payments During Deed Administration Period</b>	<b>\$ 410,656.18</b>

<u>Growers Final Contribution Refund</u>	
Partial Distribution	73,885.42

**Total Grower Contributions Refunded** **\$ 73,885.42**

**Total Payments As At 30 June 2020** **\$ 484,554.41**

**Current Cash Balance** **Nil**